

Message Text

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INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-10
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E.O. 11652: NA
TAGS: EGEN, PGOV, CZ
SUBJECT: ECONOMIC ASPECTS OF ELEVENTH CPCZ CENTRAL COMMITTEE
PLENUM

REFS A) PRAGUE 0699, B) PRAGUE 0715

1. SUMMARY: EMBASSY COMMENTS ON PLENUM IN LIGHT OF
LEADERSHIP EFFORTS TO DEAL WITH ECONOMIC MALAISE. HUSAK
LISTED PROBLEMS, STRESSED MANAGERIAL SHORTCOMINGS AND
ENDORSED MINFIN LER'UAMANAGEMENT "EXPERIMENT", WHICH LER
DISCUSSED SEPARATELY. COMMENT: PLENUM MAY HAVE RATIFIED
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DRASTIC CHANGES TO SIXTH FYP, ALTHOUGH NO MAJOR DECENTRALIZATION
WAS HINTED. IN SUM, IT SEEMS DOUBTFUL THAT LEADERSHIP WILL
COPE MUCH BETTER WITH ECONOMIC PROBLEMS IN FUTURE THAN BEFORE.
END SUMMARY.

2. HIGH LEVEL SPEAKERS AT ELEVENTH CPCZ CENTRAL COMMITTEE
PLENUM HELD MARCH 15-16 IN PRAGUE (REFTELS) DISCUSSED

AT LENGTH VARIOUS ECONOMIC TOPICS. THEIR COMMENTS, WHICH WERE REPORTED AT UNUSUAL LENGTH BY RUDE PRAVO, ARE REVIEWED HERE BECAUSE OF WIDESPREAD EXPECTATION THAT THE LEADERSHIP IS DEEPLY CONCERNED ABOUT CZECHOSLOVAKIA'S ECONOMIC MALAISE AND MAY BE UNDERTAKING SIGNIFICANT EFFORTS TO DEAL WITH IT. THIS REPORT CONCENTRATES ON KEY SPEECHES GIVEN BY HUSAK (BOTH HIS OPENING AND CLOSING SPEECHES) AND FINANCE MINISTER LER. EMBASSY IS ALSO PREPARING SEPARATE BROADER REPORTS ON ECONOMIC CHANGES AND THE ENERGY SITUATION IN THE CSSR. THESE REPORTS WILL INCORPORATE SIGNIFICANT STATEMENTS TO THE PLENUM MADE BY HUSAK, LER AND OTHERS. REF A PREVIOUSLY REPORTED THE ELEVATION OF JOSEF HAMAN, A REPUTED "ECONOMIC EXPERT", TO THE CC SECRETARIAT IN PLACE OF CESTMIR LOVETINSKY, A CADRE SPECIALIST EVIDENTLY LACKING IN ECONOMIC EXPERTISE. NO OTHER NOTEWORTHY PERSONNEL CHANGES DIRECTLY AFFECTING THE ECONOMY WERE ANNOUNCED AT THE PLENUM.

3. HUSAK'S PLENUM SPEECHES FOLLOWED THE FAMILIAR FORMULA OF BLENDING PRAISE OF PARTY-LED ACHIEVEMENTS WITH TYPICALLY CRITICAL COMMENTS ON ECONOMIC PROBLEMS WHICH REMAIN. THE LATTER INCLUDED: INDUSTRIAL CONSUMPTION OF RAW MATERIALS REMAINS TOO HIGH, WHEREAS LABOR EFFICIENCY AND WORK QUALITY ARE STILL TOO LOW; "FIRST QUALITY" PRODUCTS ACCOUNT FOR ONLY ONE-FOURTH OF TOTAL OUTPUT; 1976-77 EXPORT TARGETS FOR MACHINERY AND OTHER ITEMS WERE NOT MET, NOR WERE GOALS FOR REDUCING UNFINISHED LIMITED OFFICIAL USE

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CONSTRUCTION PROJECTS; PLANNING AND STATE DISCIPLINE ARE BEING VIOLATED TOO OFTEN BECAUSE OF VARIOUS "TRICKS" USED BY PEOPLE TO CIRCUMVENT PLAN TARGETS OR HAVE THEM SET TOO LOW. HUSAK SAID SPECIAL COMMISSION OF THE CC PRESIDUM AS WELL AS OTHER APPROPRIATE CENTRAL BODIES ARE NOW TACKLING THESE AND RELATED PROBLEMS.

4. HUSAK'S MAIN THEME WAS THE NEED TO OVERCOME "SHORTCOMINGS IN MANAGERIAL, PLANNING AND ORGANIZATION WORK" AND TO UTILIZE MORE FULLY "EVERYTHING OFFERED BY SCIENCE AND TECHNOLOGY." HE SPECIFICALLY ENDORSED LER'S EXPERIMENT FOR INCREASING EFFICIENCY AND QUALITY IN INDUSTRY (PARA FIVE) AND CALLED FOR CLOSER LINKS BETWEEN PRODUCTION AND FOREIGN TRADE. HE ORDERED THE MINISTRIES OF FOREIGN TRADE AND OF HEAVY AND GENERAL ENGINEERING SPEEDILY TO PREPARE WELL THOUGHT-OUT PROPOSALS TO IMPROVE COORDINATION BETWEEN PRODUCERS AND FOREIGN TRADE CORPORATIONS, CITING INVESTMENT GOODS, MACHINE TOOLS, MOULDING AND TEXTILE MACHINERY AS EXAMPLES. EVERYONE MUST BE A GOOD MANAGER, HUSAK SAID, AND SUPPLIES TO THE DOMESTIC MARKET, WHICH HE TERMED "POLITICALLY VERY SENSITIVE," ARE PARTICULARLY IMPORTANT. HE CALLED FOR NARROWING DOWN THE PRESENT RANGE OF PRODUCTS TO INTENSIFY SPECIALIZATION AND CEMA INTEGRATION.

HUSAK REAFFIRMED THE PARTY'S LEADING ROLE IN THE ECONOMIC SPHERE AND WARNED (NOT FOR THE FIRST TIME) THAT HIGHER LIVING STANDARDS REQUIRE INCREASED PRODUCTION EFFICIENCY.

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5. SPEECH OF FINANCE MINISTER LER, ONE OF OVER 15 PLENUM SPEAKERS, WAS NOTEWORTHY BECAUSE OF HIS COMMENTS ON THE "COMPREHENSIVE EXPERIMENT INVOLVING MANAGEMENT OF EFFICIENCY AND QUALITY" WHICH HE HAD EARLIER PUBLICIZED AND, EVIDENTLY, LARGELY AUTHORED. THE 1978-80 EXPERIMENT INVOLVES 12 ECONOMIC PRODUCTION UNITS CONSISTING OF 150 ENTERPRISES. LER SAID IT WILL ENTAIL 50 CHANGES IN THE MANAGEMENT SYSTEM, HEIGHTEN THE ROLE OF THE FYP AND WILL "GEAR ALL THE INSTRUMENTS OF THE PLAN, INCLUDING MATERIAL AND MORAL INCENTIVES, TO IMPROVING EFFICIENCY AND QUALITY". THE ROLE OF THEMID-LEVEL ECONOMIC PRODUCTION UNITS WILL BE CRUCIAL IN THE MANAGEMENT SYSTEM. LER EMPHASIZED, HOWEVER, LIMITED OFFICIAL USE

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THAT THE EXPERIMENT WILL PROCEED ON MARXIST-LENINIST PRINCIPLES AND INVOLVES NO RETURN TO THE MARKET MECHANISM.

6. COMMENT: THE EXTRAORDINARY PRESS ATTENTION GIVEN TO THE ELEVENTH PLENUM INDICATES IMPORTANCE THE LEADERSHIP ATTACHED TO IT. IN ECONOMIC SPHERE, SOME OBSERVERS BELIEVE THE PLENUM ENDORSED SUCH DRASTIC (BUT LARGELY UNPUBLICIZED) CHANGES TO SIXTH FYP, THAT A NEW PLAN HAS EMERGED FOR THE FINAL THREE YEARS BEFORE THE SEVENTY FYP BEGINS IN 1981. REMARKS OF HUSAK AND OTHERS INDICATE THAT THIS MAY BE TRUE, ALTHOUGH THEY GIVE NO HINT THAT ANY SIGNIFICANT DECENTRALIZATION OF ECONOMIC DECISION-MAKING AUTHORITY WAS LAUNCHED. HOWEVER, CONCRETE DETAILS ARE SCARCE SINCE THE PLENTIFUL BUT SELECTIVE PRESS COVERAGE PROBABLY DID NOT REPORT ALL POLICIES AND CHANGES RATIFIED BY THE PLENUM. IT IS SIGNIFICANT THAT ONE SPECIFIC ECONOMIC CHANGE, LER'S "EXPERIMENT", WAS ENDORSED. MORE ECONOMIC INITIATIVES MAY BE UNDERWAY. NEVERTHELESS, GIVEN THE MAGNITUDE OF CZECHOSLOVAKIA'S ECONOMIC PROBLEMS, IT SEEMS DOUBTFUL THAT LEADERSHIP WILL COPE WITH THEM MUCH BETTER AFTER THE ELEVENTH PLENUM THAN IT DID BEFORE.
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